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REPORT

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of the

GRAND INQUEST

of

THE STATE OF MARYLAND

into the

BACKGROUND, CAUSES AND POSSIBLE ENDING

OF THE CURRENT STRIKE IN THE

BALTIMORE TRANSIT COMPANY

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House of Delegates of the General Assembly

of the

STATE OF MARYLAND

1956 Session

REPORT OF THE GRAND INQUEST OF THE STATE OF MARYLAND
INTO THE BACKGROUND, CAUSES AND POSSIBLE ENDING OF
THE CURRENT STRIKE IN THE BALTIMORE TRANSIT COMPANY

EVENTS LEADING TO GRAND INQUEST RESOLUTION

At 12:01 a.m. on January 30, 1956, all buses and streetcars ceased operation in the city of Baltimore. Since that hour the people of Baltimore, the sixth largest city in the United States, have been without mass transportation. The resulting tremendous loss and inconvenience to the people of the city is obvious and it is mounting daily.

The cessation in operations resulted from a strike called by Division 1300 of the Amalgamated Association of Street Electrical Railway and Motor Coach Employees of America. On October 17, 1955 that Union had served notice on the Baltimore Transit Company that its contract with the Company, scheduled to expire on January 28, 1956, would not be renewed. In its letter of notice, the Union asked that negotiations be commenced for a new contract. Between October 17, 1955 and January 29, 1956, negotiations between the Union and the Company for a new contract were fruitless. In the following week attempts by state and municipal authorities to bring the parties together or to terminate the work stoppage were likewise ineffective.

On February 6, Mr. Cardin, a member of the House of Delegates, moved "that pursuant to the provisions of Section 24 of Article 3 of the Constitution of Maryland the House of Delegates shall inquire, as the Grand Inquest of the State, into the background, causes and

possible ending of the current strike in the Baltimore Transit Company. "

Article 3, §24 of the Maryland Constitution provides: "The House of Delegates may inquire, on the oath of witnesses, into all complaints, grievances or offenses, as the Grand Inquest of the State***. They may call for all public and official papers and records, and send for persons whom they may judge necessary, in the course of their inquiries, concerning affairs relating to the public interest***." Mr. Cardin's motion was passed and the first recorded Grand Inquest in the history of the State of Maryland was under way.

The Inquest was conceived as a means of expressing the deep concern and interest of the House of Delegates in the transit strike and in its consequences to the State's largest city and greatest commercial and industrial center. This is the second transit strike Baltimore City has suffered within four years. In 1956, as in 1952, the Company and the Union were unable to resolve their differences through collective bargaining. The strike was on and such negotiations as were continuing did not hold out the promise of success within the foreseeable future. This was the picture, on February 6, 1956, eight days after the strike, when the motion for the Grand Inquest was adopted. It thus appeared desirable from the standpoint of terminating the present work stoppage and avoiding future strikes, for the House of Delegates to embark on a wide-scale inquiry. For such a task, initiated during the tensions of a strike in progress and with the public interest suffering with each day of

delay, the full powers and prestige of a constitutional Grand Inquest were deemed necessary.

PROCEDURES ADOPTED

Before it could proceed to examine the issues relating to the labor-management dispute, the Grand Inquest found itself facing some troublesome procedural questions. In a proceeding novel in the recorded history of this House, there were no procedural or substantive precedents. In order to reduce the organizational problems to manageable proportions, the House of Delegates designated a Steering Committee composed of nine Delegates appropriately balanced between districts in Baltimore and throughout the State, with Jerome Robinson as Chairman. To enable the regular committee work and other work of the House of Delegates to proceed normally, on February 7, 1956, a resolution was adopted by the House specifying that fifteen members should constitute a quorum for the conduct of business by the Grand Inquest.

This same resolution provided for the staffing and financing of the organization of the Grand Inquest. It also specified that the testimony of all witnesses before the Grand Inquest should be given under oath, that all meetings of the Grand Inquest should be public and that a transcript of the proceedings should be made and filed in the permanent files of the Department of Legislative Reference.

A significant feature of the proceeding was the self-imposed limitation of the House of Delegates on questions by members of the Grand

Inquest. The implementing resolution provided that:

"All questions to witnesses which may be propounded by members of the Grand Inquest shall be submitted in writing to special counsel to the Grand Inquest, and such questions may be put to witnesses through such special counsel."

It was interesting to observe that, although this provision severely limited jealously guarded legislative prerogatives, it received the overwhelming support of the Delegates and did not operate to preclude the Delegates from pursuing lines of inquiry of particular interest to them through written questions submitted through the special counsel.

Other details of the procedure for this unique proceeding were arrived at more informally but with careful thought to the various considerations involved. In view of the controversial nature of the dispute and the high feelings normally engendered by a strike, it was questionable whether the relatively informal procedures which are encouraged in committee hearings were appropriate for this inquiry. On the other hand, it was apparent that the application of standards governing judicial proceedings would not afford the necessary degree of flexibility. Among the most important limiting circumstances was the shortness of time. The Attorney General, who was designated as the general legal advisor to the Grand Inquest, ruled that the proceedings and all action with respect thereto would have to be concluded prior to the adjournment of the General Assembly on March 1, 1956. Under the pressing time schedule, opportunity had to be provided for the full presentation and development of the issues while preserving the basic elements of a fair hearing. It immediately became clear that it was

important to develop an effective and efficient procedure under which time-consuming controversy and colloquy would be eliminated. The key to the procedure which was evolved was the delegation to the special counsel of complete control over the proceedings, subject to appeal to the presiding officer. It is a tribute to all concerned that only two appeals of a relatively minor nature were directed to the chair during the entire course of the proceedings.

**STAFF OF GRAND INQUEST;
PREPARATION AND HEARINGS**

On February 8, 1956, Jerome M. Alper, Esq. was retained as special counsel to the Grand Inquest. Under the arrangement with Mr. Alper, all additional professional staff deemed necessary by him for the conduct of the inquiry was engaged by him. On the following day, February 9th, Mr. Alper retained Professor Paul R. Hays of Columbia University Law School, a recognized authority on labor controversies, Arthur Lazarus, a well-known utility, industrial and financial consultant, Harry J. Casey, Jr., a Baltimore economic analyst with considerable transit experience and Nathan H. David, of Washington, D.C., as associate counsel. The staff began at once to prepare for hearings before the Grand Inquest. Between February 9 and the commencement of hearings on February 13, the staff conducted interviews with the Maryland Public Service Commission and its aides, officials of the Baltimore Transit Company, union officials, municipal, state and federal

officials, businessmen in Baltimore, and members of the public who expressed an interest in the controversy. During the same period many thousands of pages of data, studies, hearings, reports and opinions were studied, including Company reports to the Maryland Public Service Commission (P.S.C.) since 1944, P.S.C. reports since 1944 involving the Company, Company reports to stockholders since 1951, the records in recent cases before the P.S.C., the Harris, Wolman and Wise Reports and the thirty volumes of material in the Wise investigation, as well as numerous reference manuals, and opinions of the Maryland Court of Appeals. The Company and Union were requested to provide additional specified information at the hearing.

The difficult task facing the staff was made much easier through the fine cooperation and assistance received from both the City of Baltimore and the Public Service Commission. Honorable Thomas N. Biddison, Solicitor of the City of Baltimore, assigned Francis X. Gallagher, Esq., an assistant city solicitor with a great deal of experience in the affairs and problems of Baltimore Transit Company, to practically full time work with the staff. The Public Service Commission freely made available the records and data relating to Baltimore Transit Company on file with them, guided and assisted the staff in quickly selecting the essential data and both the members of the Commission and their staff gave freely of their storehouse of knowledge and information on the subject.

Hearings commenced in the Assembly Room of the House of Delegates at 10:00 a.m., February 13th and, except for February 16th and 21st, were continued daily until terminated on February 22nd. Hearings were thus held during eight days, on two of which there were night sessions. A total of 18 witnesses appeared before the Grand Inquest, five of whom represented the Union, six the Company, and the remainder the public. 102 exhibits were introduced, some of which totaled many pages and a great many of which included the information which had been specifically requested by the staff of the Grand Inquest. A stenographic transcript of the proceedings was made which finally consisted of 1,708 pages.

JUSTIFICATION FOR GRAND INQUEST

The Grand Inquest is an inquiry into the background, causes and possible ending of the current strike. It was neither designed nor empowered to negotiate, arbitrate, mediate or directly settle the strike. Moreover, since it was not desired to supersede such normal means of settling this management-labor dispute, we planned the proceedings with a view to minimizing the interference of the proceedings with such efforts. To this end, the hearings were compressed into as few days as possible, eight in number -- but days with many hours -- spread over a ten day period.

The necessity for such intervention by the House of Delegates is rooted in the special circumstances of this particular labor dispute.

There appeared to be a wide gulf between the demands of the Union and the position of the Company. This was a gulf not only in dollars but in basic theory. Not only had collective bargaining prior to the strike been unsuccessful but it also did not generate much hope thereafter that it would serve to produce a common ground upon which the parties could meet. A week or more of negotiations after the strike began failed to change this unhappy prospect.

The community is totally dependent upon the efficient movement of people. In the past, mass transit has assumed a major share of this burden. While short term adjustments to the loss of mass transit facilities can be made, a lengthy strike or the disappearance of an effective mass transit system will certainly bring about extremely serious changes in the Baltimore area's structure, economy, and way-of-life.

As a legislative inquiry into the causes, background and possible solution of a strike in its active stage, this Grand Inquest is unique. For the first time in the history of management-labor relations a legislative body has attempted during a strike to examine and analyze the issues involved in the labor dispute and the methods and techniques of the negotiation of the parties. This inquiry, therefore, may be of clinical value in the evolution of methods and procedures for the peaceful resolution of labor disputes.

The function of the Grand Inquest was to seek out and clarify the real as well as the stated differences between the parties; to develop all

the facts bearing on such issues; and to give information to the Legislature and the public. By these means it was hoped to bring about a crystallization of public and legislative opinion and the delineation of the line along which the pressure of such opinion might best be exerted for the reasonable and proper solution of the strike.

DIRECTION OF INQUIRY

The right of the Company to compensation for the use of its property and for the service which it renders and the right of the employees to just compensation for their labor and devotion to service are held equally sacred. The business of the Baltimore Transit Company, however, is one devoted exclusively to the public service and the Company and the Union must recognize, as did the Grand Inquest in approaching its task, that the public interest presents the framework within which the solution of the controversy between the direct parties must be resolved.

Under the broad mandate of the motion creating the Grand Inquest, the proceedings inquired into the immediate issues in the labor dispute, the causes and background of the dispute and possible solutions for the current strike. As a matter of procedure the attention of the Grand Inquest was directed first to the negotiations preceding the strike and the immediate issues in the labor dispute. It was helpful to establish clearly the points in issue at the outset because there was apparent confusion with respect to this matter in the public mind and even between

the parties. It was variously reported, for example, that the issues in dispute ranged from 37 to approximately 200.

The Grand Inquest was concerned not only with the labor issues but with the equally important matter of the conduct of the negotiations by the parties. When a strike occurs, it is important to know why the processes of collective bargaining were ineffective in averting the strike. It was significant to ascertain whether the attitudes of the parties towards the negotiations and the methods by which the negotiations were conducted contributed towards their failure to reach an agreement.

The strike has raised other important issues beyond the immediate demands. It was developed that one of the major issues between the parties is the relevance of the financial ability of the Company to meet the demands of the Union. This issue raised a host of subsidiary considerations, including the meaning of the concept of ability to pay. Another of the important corollary matters was whether either or both of the parties were using the strike as a means of promoting public ownership and the extent to which this possibility was affecting the positions of the parties in the course of the negotiations. As the strike lengthened, the question whether the parties should submit the dispute voluntarily to binding arbitration assumed a position of importance in the press and the minds of the

public. The issues relating to ability to pay, public ownership and voluntary binding arbitration were subjected to thorough examination and analysis.

A strike, just as any other breakdown in normal business or personal relations, generally has its roots in matters deeper than the immediate issues. These underlying causes must be ascertained, and dealt with if possible, if there is to be any reasonable prospect of avoidance of strikes in the future. There can be no hope for the permanence of a strike settlement in the absence of a full disclosure and understanding of the basic forces and factors which affect the ability of the parties to resolve their differences directly.

This is particularly true in the case of the Baltimore Transit Company. It is apparent that there is considerable confusion in the minds of the public and even in the minds of the parties as to fundamental facts in the situation. On the one hand, the view is current that Baltimore Transit Company has provided a bonanza for its investors. On the other, it is heard that the financial results of the Company's operations are not satisfactory, that business is declining, that expenses are increasing and that service must be cut and fares increased. The confusion thus presented has infiltrated even into high places. As to a Company rendering an essential public service, there must be a clear understanding of

the basic financial facts. Continued confusion on such matters can lead only to further strife and interruptions to service.

In an effort to dispel this confusion the proceedings have probed into all facets of the problem. A record has been developed on how the four parties involved - the investors, the company, labor and the public have fared. The information developed on this problem it is hoped will go a long way towards an understanding of the transit problem in Baltimore City.

At the outset of the proceedings one day was assigned to the representatives of the public, one to the Union and one to the Company for the purpose of giving them an opportunity to present such information as they deemed pertinent and their views and contentions with respect to the issues involved. The parties were given complete liberty with respect to the selection and the number of witnesses through which their presentation would be made and questions at this stage were limited to the barest minimum necessary for clarification.

The initial session of the Grand Inquest received testimony on the effects of the strike on the economy and citizens of the Baltimore area. It was neither possible nor necessary to conduct a full-scale survey of the impact of the strike on the public. However, sufficient information was elicited to give a broad picture of the strike's effect.

Retail sales are estimated to have declined to two-thirds of their normal level in the downtown area. Testimony by the

executive vice-president of the Retail Merchants Association indicated that lost downtown retail sales were not being balanced by gains in the suburban areas, and that these losses cannot be expected to be recaptured in the future. This drop in business carries with it the attendant effects of lost tax revenue, diminished profits, and unemployment; the major department stores, for example, cut employment an average of 550 man-days for each of the first ten days of the strike. Similar effects on the downtown savings banks and restaurants were described by other witnesses.

The effect on the public ranges from minor inconvenience to lost employment. Many employers are releasing their employees at earlier hours; school children experience difficulty in reaching their school promptly, and the school system has had to assign buses normally used for educational trips to the task of transporting maintenance workers.

An important effect described by several of the witnesses is that the chances for rehabilitating the central city may be impaired. While this can only be conjectural at this time, it is realistic to assume that changed travel and shopping habits can impair the civic and private programs of action for strengthening downtown Baltimore.

The second day of the hearing was allocated to the Union and the third to the Company. Upon completion of this direct and

uninterrupted submission, the proceedings were adjourned for a day to permit special counsel to prepare for his detailed examination.

This examination was directed to representatives of the Company and the Union. All witnesses were questioned only by the special counsel and no opportunity was afforded counsel for the Company or the Union to examine their own witnesses or to cross-examine other witnesses. It was felt that such direct and cross-examination would be time-consuming and offered in the limited time available no great assurance of the objective development of the full record which was the goal of the Grand Inquest.

DESCRIPTION OF THE COMPANY

History of the Company

The Baltimore Transit Company is the outgrowth of a series of consolidations of transportation companies, the oldest of which operated horse-drawn vehicles as far back as 1859. This type of operation continued until the 1890's when it was replaced by electrically operated streetcars. During the intervening 30-year period upwards of 30 street railway corporations had come into existence. On March 4, 1899, after a series of consolidations, 11 street railway properties were consolidated to form the present company under its then name, the United Railways and Electric Company of Baltimore. In 1903, the property of the Baltimore Sparrows Point and Chesapeake Railway Company was acquired by the United Railways and Electric Company, and in 1924, the property of the Maryland Electric Railways Company was added to the system also as a subsidiary operation.

In the year 1915, operation of motor buses was started by the Transit Company through wholly-owned subsidiaries. These subsidiaries in the year 1926 were consolidated to form The Baltimore Coach Company. On March 1, 1954, by Articles of Merger, The Baltimore Coach Company was merged into The Baltimore Transit Company, which now possesses all the purposes and powers of the two corporations.

Territory Served by the Company

The Company's mass transportation system serves an area comprising all of Baltimore City and part of Baltimore County, this area being approximately 154 square miles. The people served in the area total approximately 1,200,000 persons. The growth of the City is mainly in its environs. During the year 1955, the Company operated a total of some 27,000,000 miles; 24,000,000 in the City of Baltimore and 3,000,000 in Baltimore County, and carried 132,000,000 revenue passengers. Pertinent statistics are given below:

	<u>City</u>	<u>County</u>	<u>Total</u>
Area served in square miles	79	75	154
Population served	950,000	250,000	1,200,000
Miles of road operated by buses	198	61	259
Miles of road operated by trackless trolleys	39	---	39
Miles of single track operated by streetcars	83	24	107
Mileage operated during 1955	24,252,103	2,932,454	27,184,557

Passenger Equipment - December 31, 1955

624 Buses

238 P. C. C. Streetcars

166 Pullman Trackless Trolleys.

Conversion Program

In 1946, the Company applied to the Public Service Commission for authority to convert approximately 46% of its rail lines to free wheel operation. The Commission held lengthy hearings in the matter and

approved approximately half of the Company's proposal. As to the remaining half, the Commission for the time being disapproved the plan. The changes authorized by the Commission were effected and, in addition, other abandonments of rail operations and conversions of motor bus operation approved by the Commission from time to time have been made. There now remains only four rail lines, one of which will with the approval of the Commission be changed over to bus operation shortly. There are at this time six trackless trolley lines. The remaining service of the Company is furnished by motor vehicles.

Streetcar and Trackless Trolley Franchises

The Company's operations by streetcar and trackless trolleys are under franchises granted it from time to time over the years by the Mayor and City Council of Baltimore and by the County Commissioners of Baltimore County. These franchise rights have been acquired from the public authorities beginning with the year 1859. There is no blanket franchise for rail and trackless trolley operation for the system. Many of the original rail franchises have been renewed, some are perpetual and some have expired. The first trackless trolley franchises were granted the Company by Ordinances of the Mayor and City Council of Baltimore, approved July 22, 1937. By Ordinance of the Mayor and City Council of Baltimore, approved March 23, 1939, and also by the 1939 Acts of the Legislature of Maryland, Chapter 281, approved May 3, 1939,

the Company is authorized to operate trackless trolleys wherever it has the right to operate electric streetcars.

Motor Bus Operation

The Company's permits to operate motor buses are obtained from the Public Service Commission. Each year the Company files with the Commission a list of the routes which it proposes to operate during the coming year. When this list receives the approval of the Public Service Commission, motor vehicle license plates are then issued to the Company by the Commissioner of Motor Vehicles. The order of the Public Service Commission referred to above at the time of the conversion hearing of 1946, expressly granted the Company the right to operate motor buses for a period of 25 years on the streets and highways listed in the order, with the right of renewal for a further period of 25 years. Other motor bus permits granted by the Commission from time to time also have been of similar duration.

Employees - December 31, 1955 - 2, 387.

Management and Organization

Opposite this page is a listing of the members of the Board of Directors of The Baltimore Transit Company, as of February 11, 1956; their principal occupations; date when they became directors; and securities owned directly and beneficially. Members of the Executive Committee are also shown. There are only two directors who are not connected with the Company or the National City Lines, Inc.

THE BALTIMORE TRANSIT COMPANY
MEMBERS OF BOARD OF DIRECTORS

<u>Name</u>	<u>Principal Occupation</u>	<u>Became Director</u>	<u>Securities Owned Directly and Beneficially</u>
E. V. Anderson	Vice-President, National City Lines, Inc. Transportation Holding Company	4/8/53	Common - 600 shares
John C. Baine	President, The St. Louis Public Service Company Mass Transportation	4/9/52	None
John B. Banz	Controller, The Baltimore Transit Company	4/20/53	Common - 200 shares
Dale W. Barratt ^{1/}	President, The Baltimore Transit Company	2/21/55	Common - 2700 shares ^{2/}
Richard F. Cleveland ^{1/}	Lawyer, Semmes, Bowen & Semmes	4/9/52	None
Francis A. Davis ^{1/ 3/}	President, F. A. Davis and Sons, Inc., Wholesale Distributors of Restaurant Equipment and Tobacco Products	4/9/52	Common - 300 shares Preferred - 100 shares
Joseph P. Healy ^{1/}	Investments	7/19/35	None
Douglas M. Pratt	Chairman of the Board, The Baltimore Transit Company; President, The Philadelphia Transportation Company	2/15/52	Common - 3,000 shares
C. Frank Reavis	Lawyer, Hodges, Reavis, McGrath, Pantaleoni and Downey	4/25/45	\$6,000 Series "A" 1st 4% Debentures
Henry H. Waters	Vice-President, Secretary and Treasurer, The Baltimore Transit Company	3/22/51	Common - 500 shares

1. Members of Executive Committee.
2. Plus option on 5,000 shares common.
3. A partnership, F. A. Davis & Sons, of which Francis A. Davis is a partner, owns 1,000 shares of common stock.

The management is streamlined, the President reporting to the Chairman of the Board and Directors. In turn, four principal executives report to the President; to wit, the Superintendent of Transportation; Superintendent of Equipment; a Vice-President; Secretary & Treasurer; and a Controller. The list of officers and principal executives is shown below. Their ages, years of service with Company and stock ownership is given.

	<u>Age</u>	<u>Position</u>	<u>Years of Service</u>	<u>Stock Ownership</u>
Douglas M. Pratt	45	Chairman	4	3,000 shares*
Dale W. Barratt	44	President	1	2,700 shares**
S. A. Woolston	58	Supt. -Transportation	38	100 shares
J. A. Loudenslager	32	Supt. -Equipment	14	---
Henry H. Waters	64	V.P., Secy. & Treas.	32	500 shares
John B. Banz	53	Controller	38	200 shares
H. E. Airey	45	Supt. -Planning	26	---
J. B. Duvall, Jr.	43	Dir. -Planning & Public Relations	21	5 shares
Clyde T. Headley	34	Supt. -Public Relations	9	---
W. W. Nash	47	Mgr. -Chartering	26	---
L. George Lee	49	Supt. -Supervision	32	---
Wm. J. Langrall	49	Transportation Supt. of Divisions	31	---
George L. Childs	39	Director-Safety Training & Personnel	16	---
Joseph T. Harman	57	Supt. -Schedules	37	---

*On June 5, 1952, National City Lines, Inc. granted an option to Mr. Pratt to purchase all or any part of 2,000 shares of preferred in Baltimore Transit at \$14.60 per share. Option could be exercised at any time up to June 5, 1954, the purchase price being payable over six years.

**Dale W. Barratt has an option on 5,000 shares common.

Officers and executives, other than the Chairman and the President, have had long years of service with the Company and have come up from

the ranks. It is nevertheless not a group of advanced years. Salaries are modest. The executives hold little stock.

National City Lines, Inc.

An influential factor in the affairs of Baltimore Transit Company is National City Lines, Inc., with headquarters in Chicago, Illinois. National City Lines owns and operates transit properties scattered over the country. An example of the dispersion of the properties is indicated by the following geographical sampling: Mobile, Sacramento, Tampa, Aurora, Illinois, Joliet, Burlington, Kalamazoo, Tulsa, El Paso, Salt Lake, Spokane. National City Lines also has a substantial investment in the St. Louis Public Service Co., Los Angeles Transit Company and Philadelphia Transportation Company.

In 1944, National City Lines, Inc., through one of its subsidiaries, American City Lines, Inc., and after prior authorization of the Public Service Commission, acquired effective control of the Baltimore Transit Company by the acquisition of 19,464 shares of the old common and 69,980 shares of the old preferred of the Company. Subsequent purchases in 1946 by the National City Lines interests increased the holdings of common by 1952 to 39,154. The Public Service Commission set an upper limit to the aforesaid acquisitions of not more than 30% of the total voting rights of security holders of the Baltimore Transit Company, and though stock holdings have fluctuated from time to time, it is believed that the

extent of control of Baltimore Transit Company by National City Lines, Inc. has approximated that limit. At the end of 1954, National City Lines held 4,480 shares (3.3%) of the preferred and 243,094 shares (27.96%) of the common. The record indicates that there are no other comparable large blocks of stock and that National City Lines, Inc. has effective control of the Company.

Reorganization of 1935

On January 2, 1933, receivers were appointed for The United Railways and Electric Company and its wholly-owned subsidiaries by the District Court of the United States for the District of Maryland. Upon the enactment of the National Bankruptcy Act of 1934 the reorganization of the companies was transferred from the equity proceeding to a proceeding under §77B and was concluded in 1935. Under the reorganization plan which became effective July 1, 1935, some \$46,422,000 of senior bonds of the old company were replaced by \$23,084,600 of 4% and 5% debentures, \$23,337,400 par value 5% cumulative preferred stock and 8,684 shares of no par value common stock; \$3,920,000 of funding bonds were replaced by 33,320 shares of no par value common stock and \$14,000,000 of income bonds were replaced by 105,000 shares of no par value common stock; 409,224 shares of common stock having a par value of \$20,461,200 were replaced by 20,461 shares of no par value common stock. No dividends were ever paid at any time on these shares of preferred and common stock which ultimately were replaced by the

reorganization of 1953. The unpaid accumulation of dividends on preferred stock amounted to \$77.50 a share, on a total of \$18,090,592.50 at December 31, 1952.

Under the provisions of the plan of reorganization as of July 1, 1935, a ten year Voting Trust was set up under the terms of which the property was thereafter operated until July 1, 1945.

Recapitalization of 1953

On January 26, 1953, stockholders approved a charter amendment providing for recapitalization of Company. Plan became effective March 16, 1953.

Charter amendment reduced par value of 5% preferred shares from \$100 to \$50 a share; changed annual dividend to \$2.50 a share, non-cumulative; changed authorized common stock from 200,000 no par shares to 1,000,000 \$1 par shares; cancelled all accumulated and unpaid dividends on preferred stock, and holders of each \$100 par preferred share received in exchange one share of \$50 par value preferred stock and three \$1 par common shares and outstanding no par common exchanged share-for-share for \$1 par common.

THE LABOR ISSUE

Background

For a number of years after the enactment of the National Labor Relations Act, the Company took the position that its operations did not "affect" interstate commerce within the meaning of that phrase as it is used in the Act, and that it was not, therefore, subject to the requirements of the Act. The Company, relying upon this view, dealt with an unaffiliated union of its employees and refused to grant recognition to the Amalgamated. In 1944, the issue of the applicability of the National Labor Relations Act to the Company's operations was resolved by the courts against the Company's position. Disestablishment of the unaffiliated union followed when it became clear that the Company's relationship with that union was illegal under the Act. Recognition of the Amalgamated followed soon thereafter.

The Company and the Union entered into a collective bargaining relation for the first time in 1945. In that year, unresolved issues were voluntarily submitted by the Company and the Union to arbitration and in this way a collective agreement between the parties was achieved.

Thereafter for several years, the parties continued in normal collective bargaining relationship with renewal of the Agreement

from time to time through collective negotiations and without strikes. However, in 1950 and 1951, strikes were narrowly averted after the intervention of public authorities. During this period, there was some feeling on the part of Company officials that, as one Company official put it, the Company had "abdicated" its management responsibilities. The meaning intended to be conveyed by this remark was that the Company had yielded too readily and too extensively to the Union in its dealings with that organization, and that the Union was exercising an undue control over matters which were properly within the competence of management. A source of particular difficulty is said to have been a "past practice" clause in the collective agreements under which, through arbitration and otherwise, the Union was able to establish its claim to the continuation of certain conditions of work for which there was no express provision in the Agreement. With the accession of Mr. Haneke as President of the Company, an attitude of more vigorous insistence on "Company rights" was instituted. This change was, of course, stoutly resisted by the Union and the normal collective relationship speedily degenerated. Whether the Company was wrong in the "softness" of its original attitude, or was wrong in the "toughness" of its later attitude, it was inevitable that the change in attitude should create the difficulties which occurred, and which, no doubt, contributed materially to the breakdown of the negotiations for a new contract in 1952, and to the strike which resulted from that breakdown.

The 1952 Strike

As the time for the 1952 negotiations approached, the Company felt that a large fund of employee hostility was building up and that a strike would be inevitable. In the light of Union resentment at the change in Company attitude, which has been described above, the Company's views as to Union hostility may well have been justified. In any event, with the parties entering on negotiations in this spirit, it seems quite likely that a strike was in fact inevitable. There was testimony that one of the Company officials responsible for labor negotiations resigned in order to avoid responsibility for the strike which he foresaw. The remaining officials must have conducted the negotiations with little spirit of enthusiasm if in fact they believed, as the testimony indicates, that there was no hope for their success.

The strike occurred on schedule in January, 1952, and continued for 19 days. It was finally settled under pressure from public authorities, and with what would appear to have been the cooperation of the Public Service Commission, since that Commission granted an increase in fares on the same day that the application for increase was filed, which day was also the day on which the strike was settled.

The strike settlement of 1952 contained a bare outline of the major provisions of the new agreement. The details of settlement

and the terms of agreement were actually worked out over a period of about five weeks after the employees had returned to work. It may be of some significance that the Union demands of 1952 covered the same general areas as did the Union demands of 1955, and that several of the 1955 demands concern matters which the Union failed to achieve in 1952.

The 1955-56 Negotiations

The Collective Agreement which resulted from the 1952 strike was, by its terms, to continue for a period of three years. During the first two years of the agreement, the parties found it necessary to execute a number of supplementary agreements and in December, 1953, the parties canvassed the possibility of extending the agreement for a further period of one year, from January 28, 1955, to January 28, 1956. This extension has been made feasible by a change in the Company's procedure for the turning in of operators' cash receipts at the end of the day which resulted in a considerable reduction in expense to the Company. The Company was willing to grant an increase in pay, using the funds made available by this economy in operation. The extension was negotiated largely on the basis of a 6¢ per hour increase beginning in January, 1954.

During 1954 there was discussion of the possibility of further extension of the agreement from January, 1956, to January, 1957. The Company expressed its reluctance to consider at the time any

proposals of the Union which would involve increases in pay or in other "money items." Consideration was therefore confined to the matter of formal revision of various contract clauses. George H. Plaut was designated by the Company and Elmer Stump by the Union to work out these matters and, after several weeks of conferences, they produced a draft which became known as the Plaut-Stump Submission. It appears that this document was at no time looked upon by either of the parties as providing a basis for extension of the existing collective agreement. It was at most an agreement upon certain minor matters largely concerned with the language and organization of the contract. In fact, in the subsequent negotiations, the Plaut-Stump Submission played approximately the role which it was intended to have. It was useful in resolving a number of minor issues.

Some lessons for the future may be found in a consideration of the conditions which prevailed at the outset of the negotiations in 1955. The situation itself is fraught with the gravest implications, for it is one in which the community has, in effect, entrusted to two private parties, the Company and the Union, the decision as to whether public transportation in the City of Baltimore shall be paralyzed, with all the inconvenience and economic loss, with all the possibility of actual distress and danger inevitably attendant on such paralysis. In leaving a decision of such enormous significance

for the public welfare to private parties, the community has a corresponding right to expect from the parties, and to demand of them, the highest measure of responsibility. If such a decision is to be left to Company and Union, Company and Union are required to meet somewhat the same standards that would be applied to high ranking public officials under similar circumstances. In making such a decision, the Company and Union cannot be permitted to bear their obligations lightly or to discharge them selfishly. They cannot be allowed to reach such a decision irresponsibly or trivially, or without the profoundest consideration of the consequences of their actions. It is in the light of these principles that their conduct must be judged.

Both parties have expressed in their testimony their opposition to municipal ownership and there is no reason to believe that their statements do not represent their true opinions. However, both the fact of public regulation, and that overriding public interest which will not permit a solution of the parties' problems in terms of abandonment of mass transit, have implications for collective bargaining in this industry which tend to distinguish it from the usual bargaining situation. For example, public regulation places limits on the power of the Company to adjust its rates and to reorganize its services in an effort to meet Union demands. Both Company and Union realize that failure of the bargaining process

does not mean that there will be a permanent cessation of the operation of buses on the streets of Baltimore and this also may have its effect, however subtle, on the attitudes of the parties at the bargaining table. But it cannot be too strongly emphasized that the public has a right to demand that these factors will influence the parties only in the direction of a greater assumption of responsibility in collective bargaining. They are factors which cannot be relied upon by the parties to justify any failure to approach bargaining with the most sincere and the most serious purposefulness.

There were gravely disquieting factors in the situation which faced the Company and the Union as they approached the negotiations of 1955. Some of the spirit which contributed to the strike in 1952 appears to have survived that strike. An example is to be found in the controversy in July, 1952, which arose over an order issued by the President of the Company that the operators, who had formerly been permitted to wear either white or gray shirts, should in the future wear only white shirts. That this comparatively minor issue should have led to a serious work stoppage indicates the extent of the breakdown in communication between Company and Union. If the Company, instead of arbitrarily insisting on its "management prerogatives," had been willing to confer with the Union in advance of issuing this order, and, in the event of disagreement, to have submitted to the contractual arbitration procedure its right to issue

such an order, the work stoppage could have been avoided. On the other hand, if the employees had acted with moderation and had submitted their disagreement with the Company's policy, even though it appeared to them to be arrogant and unjustified, to the orderly processes provided by the contract for the determination of such controversies, the work stoppage would not have occurred. It is incredible that the issue of whether the drivers of the buses should wear white shirts or gray shirts is a matter of such tremendous importance that the citizens of Baltimore should be subjected to inconvenience and economic loss because of the parties' failure to agree. The Public Service Commission took the position that a strike over such an issue was intolerable and ordered immediate resumption of service pending the resolution of the issue by the contractual procedures.

Another element in the picture which may have influenced the course of the 1955-56 negotiations was the political situation within the Union itself. In 1952, Clayton Perry, who had been active in organizing the Union and had served as its President from the time of its organization, was defeated for re-election. In 1954, Mr. Perry's successor was in turn defeated and the present President, Frank P. Baummer, was elected. The next election for the presidency will take place in June, 1956. The undercurrents of political rivalry were, therefore, running strong during the period of preparation for the vital negotiations. Success in winning substantial gains for the employees

was an almost inevitable condition of future political success. On the other hand, certain groups within the Union may have had a particular interest in the Union's success in having incorporated into the contract clauses favorable to them. Thus political factionalism and special group interests complicated the task of the Union and made it more difficult. The procedure adopted by President Baummer in soliciting from the members their proposals for amendment of the collective agreement was, no doubt, a sound democratic procedure. However, it inevitably made more difficult that rigorous screening of these proposals which the circumstances required, since the failure to include any particular proposal in the demands as finally presented would be likely to incur the hostility of the individual or group which had originated the proposal.

A number of articles appeared in Union publications during the late summer of 1955 indicating that the Union foresaw the possibility of a strike at the time of the termination of the agreement on January 28, 1956. President Baummer himself urged employees to increase their savings in order to provide the means for tiding them over a period of strike. In spite of these indications, in the same way that the Company had concluded in 1952 that a strike was inevitable, the Company in 1955 was confident that there would be no strike, and this disastrous over-confidence continued, according to the testimony, right up until Sunday night, January 29th, the evening before the strike began. It

is possible that in 1952, the Company was wrong, and that its attitude contributed to the failure of negotiations in that year. It is certain that the Company was wrong in 1955, and it seems likely that again its attitude contributed to the failure of the collective bargaining process.

The responsibility of Company and Union to carry their negotiations to a successful conclusion and to avoid resort to the strike weapon rests initially on the negotiators who represent the parties at the bargaining table. The Company originally chose as its principal negotiators George H. Plaut and Dale W. Barratt. Mr. Plaut, who had never had any previous experience in collective negotiations, except in connection with the unsuccessful negotiations in 1952, had left the Company in April, 1955, for employment in Philadelphia. He had, according to his own statement of the matter, been out of touch with the "day to day" developments beginning in April. Mr. Barratt, the second member of the Company's team of negotiators, had never had any previous experience in negotiation with this Union and he was greatly handicapped in the negotiations by his persistence in underestimating the difficulties which he faced. Judge Sherbow was called in at the last moment, five days before the strike deadline, when finally the Company began to realize that the negotiations presented a serious problem. While Judge Sherbow

is a lawyer of great distinction, with a notable career at the bar, he, too, had never previously participated in negotiations with this Union or this Company and was, by his own admission, relatively unfamiliar with the complex problems peculiar to the transit industry.

The negotiators on the Union side were headed by President Baummer, who had had no previous experience in collective negotiations, and by Bernard Rubenstein, counsel for the local Union, who had not previously represented the union in collective bargaining.

On January 5, little more than three weeks before the expiration of the Agreement, Bernard Cushman was called in by the Union to act as its chief negotiator. While Mr. Cushman is obviously a lawyer of great ability, with wide experience in labor problems, his principal concern in the past has been with arbitration, where the methods and procedures are so different from those which are appropriate to collective negotiations that their employment in collective negotiations might actually result in hampering and delaying such negotiations.

It is instructive to examine in considerable detail the course of the negotiations, bearing in mind the solemn obligations by which the parties were bound in the exercise of the power with which they had been entrusted by the community.

On October 17, 1955, the Union wrote to President Barratt informing him of the Union's intention to terminate the contract and requesting the beginning of negotiations for a new collective agreement. In its letter the Union pointed out the complexity of the issues involved and suggested that, in view of the difficulty of the negotiations, an extra month be added to the period of negotiation contemplated by the National Labor Relations Act. President Barratt replied to this letter by suggesting that negotiations begin sometime after November 15. Thus, at the very outset, the Company requested a delay of nearly one month. On the other hand, the Union made no further attempt to follow up its suggestion of an early beginning of negotiations and accepted without protest the Company's suggestion of the November 15 date. The actual beginning of negotiations took place on November 15 when a delegation from the Union presented to President Barratt a letter containing twenty demands of the Union and an additional paragraph referring to numerous further demands which were not set forth in the letter in detail. At this meeting no negotiation took place and a further meeting was set for November 17. On November 17, one month after the Union's original letter, the parties finally sat down for face-to-face discussion of the Union's demands. There were further meetings for discussion on November 22 and November 29. Very little appears to have been accomplished at these first three meetings, except, perhaps, for conditional agreement on a few minor matters. The long delays between the early

meetings were accounted for in the testimony by the necessity for the Company officials to discharge their regular duties elsewhere. There is no indication that the Union at this time pressed for more frequent negotiations or protested the delays. At the meeting of November 29, President Barratt suggested that further negotiations be delayed "for a few weeks" until after a meeting of the Board of Directors which was to be held sometime in December. The excuse given for this further delay was the necessity of studying the report of the Mayor's Committee on Mass Transportation. It does not appear that the Union protested this delay, nor that the Union pressed for earlier and more continuous negotiation. On December 20, after the meeting of the Board of Directors which took place on December 19, the Union was informed by telephone that the Company wished to defer the next meeting of the parties until after the Christmas holidays, and January 5 was suggested. At this point the Union registered a protest at further delay by writing a letter to the Company pointing out that the January 5 date was "dangerously near the expiration date of the existing contract." However, the Union did not effectively follow up its protest and did not urgently insist upon an earlier date, with the result that another period of more than two weeks was permitted to pass before the next negotiation meeting took place. It was at the January 5 meeting that Mr. Bernard Cushman appeared on the scene as the Union's chief negotiator. At this meeting, Mr. Barratt, for the first time, requested that the Union present in writ-

ing the numerous additional demands referred to in the Union's letter of October 17. He also announced that the Company would have certain demands which it would present in writing at the next meeting. And, at this January 5 meeting, it was decided to request the aid of the Federal Mediation and Conciliation Service. The next meeting took place five days later, on January 10, a little more than two weeks before the strike deadline. The Union presented a document of seventeen pages containing a list of about 150 proposals for change in the existing agreement. The Company presented an eight page list, setting forth about 20 proposed changes and referring to others which the Company planned to raise later in certain contingencies. Many of the points listed by both sides had extensive sub-points and a large number were complex and difficult. After January 10, the parties, under the leadership of Commissioner Lee of the Federal Mediation and Conciliation Service, settled down to fairly continuous negotiations, although there were no negotiations on the two week-ends intervening between January 10 and the week-end immediately preceding the strike. According to the testimony of Mr. Rubenstein, the time between January 10 and January 20 was spent in explaining the Union's proposals, and it was not until about January 20 that "preliminary discussion" on the major items was actually begun. This discussion was interrupted by the introduction of Judge Sherbow on January 23 as the Company's chief negotiator. The sessions of January 23 and January 24 were devoted to explaining to Judge Sherbow

some details of the Union's proposals. On January 25, the Union requested counter-proposals and Judge Sherbow agreed to present such proposals. The Company's first counter-proposals were, therefore, presented on January 25, three days before the strike deadline. And the Company's proposals, even at that perilously late date, were characterized by Judge Sherbow himself as merely a "starter," a basis from which to "begin" collective bargaining. It appears reasonable to require of the parties that they present their "starters", their bases for beginning serious bargaining, at some time earlier than three days before the strike deadline. With the approach of the final date of the Agreement, the Mayor and other city officials became justifiably alarmed at the failure of the parties to make effective progress in their negotiations. A vigorous attempt was made to bring the parties together. The Mayor succeeded in obtaining a 24-hour delay during which every effort was devoted to inducing the parties to reach an agreement. However, the effort failed and on Monday, January 30, at 12:01 a.m., the strike began.

It is evident from the history of the negotiations and the testimony of President Barratt and Mr. Plaut that the Company failed to realize the seriousness of the situation before it was too late. President Barratt was inclined to believe that the sporadic and desultory character of the negotiations, with the long delays intervening between meetings, was of little or no consequence in contributing to the final failure. Not only is

this view contrary to the history of collective bargaining and to the experience of others with the bargaining process, but if President Barratt's reasoning were carried to its logical result, he would appear to be content to have the bargaining sessions begin an hour or two before the strike deadline. President Barratt accounted for the delay in negotiation in part by the suggestion that the demands of the Union were so unrealistic that there appeared to him to be little use in discussing them at all. If in taking this position President Barratt meant that he expected that the demands of the Union would be reduced if he simply ignored them, his view is contrary to sound theory and practice in the field of collective bargaining. In fact, action in accordance with this view might well constitute a violation of the National Labor Relations Act. From a practical standpoint, the slightest reflection should have warned President Barratt that the Union could not allow itself to be put in the position of dropping demands which it had pledged its members to press, without at least making an attempt at bargaining sessions to secure the Company's agreement. Another excuse given by President Barratt for delay on the part of the Company is based partly on the claim that Company officials were busy with other things. The strike which may have resulted at least in part from their preoccupation with other matters may now provide them with the leisure for consideration of whether the other things with which they busied themselves were really so important as to demand their complete attention to the exclusion of continuation of the collective bargaining sessions.

While the Union sought to begin the collective negotiation at an early date and does not appear to have been responsible for suggesting any of the subsequent delays, it must be pointed out that Union insistence on greater continuity in the bargaining might have produced a better result. The Union's protests seem to have been formal in character and perhaps to have been registered "for the record". The Union's obligation to the community requires of them a higher standard of duty.

The conduct of the negotiations since the beginning of the strike contributes little toward relieving the parties of the charge that they have not carried out their obligations with that responsibility which the community is justified in demanding of them. Meetings have been infrequent. Not only have there been public reports that no progress has been made, but it appears that little genuine effort towards progress has been exerted by either side.

The Issues of the Strike

It is not the function of the Grand Inquest to determine whether the Company or the Union is justified in the positions taken with respect to individual proposals. However, some of the issues of the strike are so difficult and so important and are of such general significance and application that a brief consideration of them in this Report is appropriate.

Several of the Union proposals are concerned with what the Union calls "job security". Ranging from a demand (which was dropped by the Union on the eve of the strike) that the Company agree not to lay off any of its employees during the period of the Agreement, to various

demands involving limitations on the Company's power to transfer employees from one place or type of work to another, all of these proposals are basically designed to require that the Company hire and pay for more employees than it believes that it needs for the efficient and economical conduct of its operations. Proposals of this kind may be viewed sympathetically in terms of the employees' natural desire to achieve some measure of economic security in their lives, especially in the light of the fact that the number of employees of the Baltimore Transit Company has been reduced by half in recent years. Others may believe, with the Company, that such proposals are correctly characterized by such opprobrious terms as "featherbedding" and "make-work." Whichever position is chosen, it should be chosen with a realization that employers and employees in a contracting industry such as public transit are faced with problems which are peculiarly and acutely difficult, and which cannot be resolved by theoretical or doctrinaire considerations.

In fact, the failure of the parties to bridge the enormous gulf between their positions appears in a number of instances to be properly ascribed to their taking and maintaining doctrinaire positions, rather than coming to grips with the realities of the problems with which they were faced. There is perhaps no better example of this tendency than the resort of the Company to the use of the term "management prerogative" as an answer to many of the Union's specific demands. In the light of the history and the law of collective bargaining, the term "management prerogative" is impossible

of exact definition. It is a concept which is given varying content in various situations. Its use in the collective bargaining process tends to obstruct rather than to promote agreement. While it is obviously true that the efficient operation of any enterprise requires that decisions on certain matters be left to management while others are shared with employee representatives, the success of collective bargaining depends on examining each proposal on its own merits, and the attempt to classify the subjects of such proposals under the term "management prerogatives" can lead only to frustration of the collective bargaining efforts, as it appears to have done in the present case.

If the Company is subject to criticism for its doctrinaire classification of many issues as "feather bedding" or "management prerogatives," the Union opens itself up to the same charge for its insistence on a doctrinaire approach to the issue of ability to pay. Admiration for counsel's skillful exposition of the Union's position that ability to pay is theoretically irrelevant cannot be permitted to obscure the fact that the issue actually plays an important role in the practicalities of collective negotiation. Union counsel may not be interested in the Company's ability to pay, but employees and officials of the Company, and the public at large are certain to feel, and justifiably, that whether the Company has, or can in some way provide, the money to pay for the increases demanded by the Union is a very vital, practical consideration. The frustrating results of a doctrinaire approach are apparent in the negotiation of the parties with respect to this issue. On

the one hand the Company continued over a long period during the negotiations simply to deny all of the major Union demands on the ground that it could not afford to pay the expense entailed by granting such demands. On the other hand, the Union persisted in its position that it was not interested in whether the Company could, or could not, afford to pay for these demands. The Company not only failed to produce any estimate as to the costs of granting the Union's demands, but also failed or refused to produce the facts and figures from which the Union itself, if it had been interested in the issue of ability to pay, could have made its own computations. (The Union was not so inflexible in its doctrinaire position that it did not request these facts and figures. The Company, according to the testimony, failed or refused to furnish them.) When the Company finally provided figures of estimated cost, which it did not do until it produced them at the hearing, the estimates were found to include such obvious inaccuracies that they served only to corroborate the view that the Company was failing to come to grips with the practical aspects of the issue of ability to pay. Examples of these inaccuracies which were developed at the hearings included such inexcusable assumptions as that all employees would take all of their allowable sick leave every year, that no reduction whatsoever could be effected by the recutting of schedules, and that a program for a funded pension plan would necessarily be amortized over a period of ten years. These defects and others suggest that the Company's figures on ability

to pay, even in the form that they were finally produced at the hearing, must be considerably revised before they will furnish an adequate basis for practical negotiations on this issue. On the other hand, the Union, in addition to its original doctrinaire position on the issue as a whole, took unrealistic positions on a number of its demands by asserting that the Company could meet all or most of the demands for reduced spread time, additional guarantees, etc., by recutting schedules without significant increase in expense. The point to be made is not that either the Company or the Union is ultimately to be considered justified with respect to any specific demand. It is rather that both parties have failed to approach and to grapple with the problems involved in the demands in a realistic and practical way.

The issue of arbitration provides another example of a doctrinaire approach to a practical problem. The Company takes the position that there is something wrong with voluntary binding arbitration as a matter of principle. This position, according to the testimony of President Barratt, is the position of National City Lines. One of the Company's witnesses even advanced the proposition, astonishing in the light of the history of arbitration in this Company and generally in this and other industries, that there is something "illegal" about company officials' agreeing to arbitrate. Positions of this type are received with surprise not only by the general public, but by those more familiar with arbitration practice. They serve only to corroborate the pervading sense of uneasiness at the

inflexibility of the doctrinaire positions which the parties have assumed.

Such practical considerations with respect to arbitration as were advanced

by President Barratt, who found the results of a recent arbitration in

this industry quite unsatisfactory, would seem to be answerable in

terms of the practical issue of the designation of the arbitrator, a pro-

cedure in which under any ordinary arbitration proposal, the Company

would participate. In other words, instead of arguing over the general

concept of arbitration, the parties might more fruitfully have come to

grips with the issue of who should be the arbitrator, or at least how the

arbitrator should be chosen. One of the members of the Board of

Directors, who joined in the unanimous vote of the directors against

arbitration, stated that arbitration would be satisfactory if he himself

were to be chosen as the arbitrator. While it is, of course, quite un-

likely that the parties could have agreed on the choice of a director of the

Company as arbitrator, the director's statement indicates that the

issue was not, as the Company had insisted, a general doctrinaire issue

on the process of arbitration, but actually a real and practical issue of

the choice of arbitrator. That this was the real issue is only empha-

sized by the absurd inflexibility in the position taken by other Company

witnesses that they would not accept arbitration even if the president of

the Company or the counsel for the Company were to be chosen as the

arbitrator.

In view of the inexcusable delays in negotiation and of the generally desultory character of that negotiation, and in view of the doctrinaire approach of the parties to the issues themselves, it is impossible to escape the conclusion that both the Company and the Union failed in their duty to carry on their collective bargaining with that seriousness of purpose which the gravity of the consequences of failure required. In the light of the standards which the community has a right to impose upon the parties, they must be adjudged to have been guilty of irresponsibility.

Implications of the Failure of Collective Negotiation

The negotiation of collective agreements by the parties themselves, free from governmental interference, is an important aspect of the American system of free enterprise. Even in a situation in which the consequences of failure are so drastic as they are when the parties are the management and the employees of a public transit company, it has been the generally accepted view that within our system, the resolution of issues should be left to the processes of collective bargaining. There are enormous implications for the community in this allocation of power. The community may be called upon to reconsider the justification of this allocation of power in the light of such failures as that which has occurred in the present situation. Whatever the hesitation which one may feel in abandoning a system which has worked so well on the whole, it must be realized that there are, in fact, alternatives. It is not for this report to

examine these alternatives or to make any recommendation with respect to them. The problem is a large one, much larger than the boundaries of the immediate strike, serious as that is. On the one hand, there are the inevitable difficulties which must arise in the clash between the limitations of a declining industry and the demands of employees in a generally expanding economy. On the other hand, there are those values in the American system of free enterprise, including the institution of collective bargaining itself, which we have esteemed so highly in the past, and which must be weighed against the disadvantages of other methods of solution of the problems of labor and management. Before we abandon, even in this critical area, a method which is so instinct with the American spirit, we should weigh very carefully the consequences of our determination.

In the present situation, collective bargaining has failed so far to reach a solution. We have attempted to point out the factors in the background of the negotiations, in the course of the negotiations themselves and in the issues of the strike which we believe have contributed to the failure. These factors are in themselves remediable. They include elements which could be eliminated in future negotiation and attitudes which could be corrected by future negotiators. Perhaps these remedies could avoid or avert a strike in a similar situation in the future. If we did not have some hope that this was true, we would not have concerned ourselves with the discussion of the failures of men who are, without

exception, honest men and men of good intent. But the larger aspects of the problems to which we have referred are not remediable in the same terms. They require broader views and more inclusive planning. They are problems which the parties to the present dispute cannot solve. They are problems of which the present dispute is but a symptom. The parties to these problems are the members of the community as a whole. The present dispute can serve as a warning to them of the existence of these basic problems. Failure to deal with them broadly and imaginatively will be a failure with far worse consequences than any failure that we have found with respect to the present dispute.

FINANCIAL CONDITION OF COMPANY

Balance Sheet

The financial position of the Baltimore Transit Company is reflected in its balance sheet, a condensed version of which, as of December 31, 1955, is shown on the following page.

Earned Surplus

Attention is directed to the earned surplus account established upon the reorganization of the Company in 1953. At the end of three relatively profitable years of operation, 1953-1955 inclusive, after dividends were paid, interest on debentures met, and all costs of operation and other obligations provided for in some manner, all that was left of the Company's revenues for that period, in other words the remaining earned surplus, was \$27,602. From an overall standpoint, the Company was in no stronger position at the end of 1955 than it was at the beginning of 1953.

Current Rates

At this point attention is directed to the relationship of current assets to current liabilities:

Current Assets	\$3,256,732.
Current Liabilities	<u>2,917,449.</u>
Margin	339,283.

Although the Company regards the current ratio of current assets to current liabilities of 1.1 times as satisfactory, it would be generally regarded as less than ample. Cash of \$2,526,424, however, seems sufficient to meet ordinary requirements.

BALTIMORE TRANSIT COMPANY
CONDENSED BALANCE SHEET - DECEMBER 31, 1955

<u>Current Assets</u>		
Cash	\$ 2,526,425.	
Accts, Receivable - net	77,932.	
Materials and Supplies (at average cost)	<u>652,375.</u>	\$ 3,256,732.
<u>Fixed Assets - net (in depreciation reserve \$18,916,767.)</u>		25,360,874.
<u>Deferred Charges (Prepaid Insurance, Taxes and Other)</u>		247,583.
<u>Mortgage Receivable</u>		147,500.
<u>Sinking Fund for Redemption of Outstanding Debenture</u>		
Cash	\$ 223.	
Interest accrual	<u>302,541.</u>	302,764.
<u>Unadjusted Debits</u>		72,768.
Total Assets		<u><u>\$ 29,388,221.</u></u>
<u>Current Liabilities</u>		\$ 2,917,449.
<u>Bus Purchase Obligations</u>		362,760.
<u>Funded Debt</u>		8,005,401.
Notes Payable	<u>605,246.</u>	8,610,647.
<u>Ticket and Token Liability</u>		185,050.
<u>Reserve for Injuries and Damages</u>		299,809.
<u>Unadjusted Credits</u>		2,005.
<u>Stockholders' Equity</u>		
<u>Capital Stock</u>		
<u>\$2.50 Preferred stock, non-cumulative,</u>		
113,802 sh. par value \$50.		\$ 5,690,100.
<u>Common Stock \$1. par value, 869,423 shares</u>		869,423.
		<u>\$ 6,559,523.</u>
<u>Capital surplus</u>		10,423,376.
<u>Accumulated Profit & Loss since 12/31/52</u>		
Balance, 12/31/44	\$ 311,732.	
Net Income -1955	<u>1,413,275.</u>	
	<u>\$1,725,007.</u>	
<u>Dividends</u>		
Preferred \$2.50	306,329.	
Common Stock \$1.	<u>1,391,076.</u>	<u>1,697,405.</u>
Total Liabilities and Capital		<u>27,602.</u>
		<u>\$ 29,388,221.</u>

Funded Debt

On the following page is an exhibit giving details as of December 31, 1955 of the Company's outstanding debentures and notes payable. Since 1944, the Company has redeemed \$15,076,522 of its income debentures, reducing the amount held by the public from \$23,081,923 to \$8,005,401, a 65% reduction. This action resulted in a profit to the Company of \$3,501,562. The redeemed bonds have not been cancelled, but remain in the sinking fund in the hands of the sinking fund trustee. Interest is paid on them in accordance with terms of the indenture, and as it accumulates, it is used to reacquire additional bonds. The requirement of payment of interest not only on the bonds in the hands of the public, but also on those which in fact have been paid off, creates a burden which should be noted.

Fixed Assets

The fixed assets, particularly that portion represented by passenger equipment are the instrumentality by which the Company with the aid of its labor force renders service to the public. Such equipment wears out in time or becomes out-moded, and funds or credit must be available for its replacement. The summary below gives the gross value, reserve for depreciation and net book value of the fixed assets, as of December 31, 1955:

	<u>Gross Value</u>	<u>Reserve for Depreciation</u>	<u>Net Book Value</u>
Railway and trackless trolley operating property and bus bases, etc. (inc. overheads of \$2,390,179)	\$ 31,396,597	\$ 11,227,522	\$ 20,169,075
Buses	10,501,827	7,473,094	3,028,733
Miscellaneous bus equipment	365,077	216,150	148,927
Land and rights of way (inc. overheads of \$175,920)	1,313,262	---	1,313,262
Work in process	700,877	---	700,877
	<u>\$44,277,640</u>	<u>\$18,916,766</u>	<u>\$25,360,874</u>

BALTIMORE TRANSIT COMPANY

Funded Debt - 12/31/ 55

Series A debentures due 7/1/75 (interest payable currently if earned and declared; cumulative if not so paid and unconditionally payable when the principal of debentures becomes due - paid in full to June 30, 1955, and declared in full to December 31, 1955):

First 4% Debentures:

Authorized \$17,000,000.;

outstanding

\$ 16,635,823.

Less held in sinking fund

10,227,922. \$ 6,407,901.

First 5% Debentures:

Authorized \$6,000,000.;

outstanding

\$ 5,517,100.

Less held in sinking fund

3,919,600. \$ 1,597,500. \$ 8,005,401.

3% Notes payable - payable subsequent to
12/31/56

\$ 18,256.

3-1/2% Notes payable - payable subsequent
to 12/31/56

586,990. 605,246.

\$ 8,610,647.

With respect to passenger equipment, the Company, as of December 31, 1955, owned 594 buses, 238 streetcars and 166 trackless trolleys.

Thirty additional buses were in work in process: Details follow:

<u>Passenger Equipment</u>	<u>No.</u>	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>% Depreciated</u>	<u>Depreciated Value</u>
Buses	594	\$10,501,827	\$ 7,473,094	71.1	\$3,028,733
Trackless trolleys	166	2,373,410	1,760,909	74.2	612,501
P. C. C. streetcars	238	4,378,997	2,374,448	54.2	2,004,549
	<u>998</u>	<u>\$17,254,234</u>	<u>\$11,608,451</u>	<u>61.5</u>	<u>\$5,645,783</u>
Buses - in work in process	30	\$ 505,016			\$ 505,016

Of the 594 buses, 18 date back beyond 1945, and these have been completely depreciated. One hundred and three buses, purchased in 1946, are 96% depreciated. Sixty per cent of all buses were purchased in 1947-1948. Assuming that the 71% depreciation is an accurate reflection of the buses' condition with respect to wear and obsolescence, the Company may face an extensive bus replacement and modernization program. No substantial additions to the bus fleet were made from 1949-1954. In 1955 45 new buses and 10 used ones, six years old, were received.

Preferred Stock

As of December 31, 1955, 113,802 shares par value \$21.50 preferred stock with a book value of \$5,690,100 were outstanding. From June 22, 1953 to December 31, 1955, 119,625 shares of preferred stock were purchased by the Company, at a net cost of \$3,838,603. Prices paid ranged from a low of \$27 plus to a high of \$41; a profit of \$2,142,647 on these transactions was credited to Capital Surplus.

Summary of Financial Condition

The balance sheet of the Company presents a picture of extensive use of cash funds to retire debt and senior stock, an inconsequential accretion since 1953 to earned surplus, and a current position which is unimpressive but not disturbing with ample cash remaining for the day-to-day needs of the business. Equipment is heavily depreciated, but according to the Company, there is no urgent requirement for it to be replaced. New equipment is being purchased by pledging such equipment against borrowed funds. There is no overhanging large-scale fixed debt to threaten the Company's financial position, but the picture presented is fundamentally one of withdrawing capital from the enterprise because of declining business.

EARNINGS

Summary Income Statement

Opposite this page is a summary of annual income of the Baltimore Transit for the past ten years, based on information supplied by the Company and accepted as given. The average net income for the ten years of approximately \$330,000 is unsatisfactory. The results for 1955 are better, but the Company claims that net income of \$1,413,276 for that year needs to be discounted by \$515,788 because of an abnormally low income tax deduction made possible by a shift from self-insurer for payment of injury and

THE BALTIMORE TRANSIT COMPANY
SUMMARY OF ANNUAL INCOME
1946 to 1955

Year	Operating Revenues	Operating Expenses, Depreciation Taxes	Non-Operating Income	Gross Income	Interest Deductions (incl. interest on Debentures)	Net Income
1946	24,192,497	21,241,846	70,582	3,021,233	1,443,004 (A)	1,578,229
1947	22,952,081	21,653,668	60,329	1,358,742	663,149	695,593
1948	22,498,022	23,808,513	88,600	1,221,891*	742,965	1,964,856*
1949	24,486,141	23,864,441	86,902	708,602	670,474	38,128
1950	23,388,528	23,389,935	46,211	44,804	649,600	604,796*
1951	24,277,944	23,577,407	59,837	760,374	562,939	307,007 (B)
1952	22,364,803	22,282,762	37,421	119,461	505,608	386,147*
1953	23,627,996	22,246,953	416,643	1,797,686	454,764	1,342,922
1954	22,465,923	21,359,407	202,375	1,308,891	434,316	874,575
1955	21,994,335	20,395,492	184,975	1,783,818	370,542	1,413,276

(A) Includes "Provision for Contingencies" of \$776,000 to cover any increase, which may be required in Tax Provisions for 1946.

(B) Includes Federal Income Tax Refund of \$109,572, for Years 1941 and 1942 and interest thereon to December 31, 1950.

(*) Denotes Red Figure.

damage claims, and because of unrecovered depreciation less salvage from property prematurely abandoned due to conversions from rail to bus operations. If the net income of the past ten years is unsatisfactory, and the more nearly favorable results of 1955 are in substantial part adventitious, improvement in ability to pay can arise only from increased revenues or reductions in operating expense. These matters can be most conveniently discussed by reference to the Distribution of the Dollar of Revenue and Income Summary for 1955 opposite this page.

Operating Revenues (\$21,994,335).

Operating revenues are a compound of passengers carried and fares charged. Revenue passengers have declined in the manner shown by the table below:

<u>Year</u>	<u>Total Passengers</u>	<u>Annual % Charge</u>
1944	267,112,617	---
1945	263,573,228	-1
1946	262,256,069	---
1947	248,554,103	-5
1948	245,004,944	-1
1949	216,387,612	-12
1950	194,851,362	-10
1951	177,431,322	-9
*1952	150,262,148	-15
1953	151,391,816	-1
1954	140,478,770	-7
1955	132,200,409	-6

*19-Day Strike Period.

SOURCE: Baltimore Transit Company

This is equivalent to a 50% decline from 1944, and a 33% decline since 1950. This experience is comparable to that of other transit companies

BALTIMORE TRANSIT COMPANY
DISTRIBUTION OF DOLLAR OF REVENUE;
ALSO INCOME SUMMARY; BOTH FOR 1955

Total Operating Revenue	<u>\$21,994,335</u>	<u>100%</u>
Maintenance	\$ 2,461,427	11.2%
Provision for Depreciation and Retirements	2,102,158	9.6
Power service, including gasoline and diesel oil for buses	1,264,992	5.8
Conducting transportation	8,539,701	38.8
Traffic	88,241	.4
Public liability and property damage expense	1,215,861	5.5
Welfare, pensions and gratuities	1,131,559	5.1
General administrative and law	551,537	2.5
Operating taxes	2,004,557	9.1
Other	386,212	1.8
Transportation for investment-credit,	2,611 *	-
Operating Expenses	<u>\$19,743,634</u>	<u>89.8%</u>
Operating Margin	<u>\$ 2,250,701</u>	<u>10.2%</u>

Income Summary

Operating Margin	\$ 2,250,701
Non-Operating Income	
From Purchase of Debentures	\$ 93,075
Other	<u>91,901</u>
	<u>184,976</u>
Available for Notes Payable and Debenture Interest, Income Taxes and Dividends	\$ 2,435,677
Interest on Notes Payable	\$ 26,834
Debenture Interest	343,709
Provision for Income Taxes	<u>651,859</u>
Net Income	<u>\$ 1,413,275</u>
Dividends Applicable to 1955, including that paid in January, 1956	
Preferred	\$ 306,099
Common	<u>1,390,577</u>
	<u>1,696,676</u>
Undivided Profits drawn or to be drawn upon	<u>\$ 283,401 *</u>

* Offsetting Entry.

in cities with over 500,000 population. In the meantime Baltimore has grown, principally in the environs. A number of reasons are advanced for the declining patronage. The Company feels that the single greatest cause is the convenience and speed of the automobile. Automobile registrations in the Baltimore metropolitan area have risen from 296,427 in 1950 to 364,405 in 1954.

The Company sought to adjust its service to declining patronage as the following table shows:

<u>Vehicle Miles</u>		
<u>Year</u>	<u>Total</u>	<u>Annual % Charge</u>
1944	39,791,000	---
1945	38,622,000	-3
1946	39,418,000	2
1947	40,011,000	2
1948	40,880,000	2
1949	39,575,000	-3
1950	36,423,000	-8
1951	34,725,000	-5
1952	30,404,000	-12
1953	29,690,000	-2
1954	28,540,000	-4
1955	27,185,000	-5

This represents a 32% decline since 1944, and a 25% decline since 1950.

An alternative recourse to increase revenues is to raise the cost of the service to the public. That has been done. Over a period of years adult fares have been increased from 10¢ to 18¢, children's and students' fare from 5¢ to 10¢, zone fares from 5¢ to 10¢, etc. By such fare increases the Company has been able to hold the reduction in passenger

revenues to 10.7% for the period from 1944 to 1955 and to 5.6% from 1950 to date. The Company warns, however, that each fare increase brings with it an absolute loss in riders. Its experts estimate this loss as .29% of passengers for each 1% of fare increase. Thus the rise of adult fares from 18¢ to 20¢, it is estimated will cause a decrease of $11.1\% \times .29$ or 3.2% in this class of patrons; and the management is concerned over the dwindling returns produced by boosting the cost of its service.

In addition to attempting to increase income, an effort has been made to reduce expenses. Since 1944 operating expenses have been reduced from \$22, 559, 254 to \$20, 395, 492, or 9%; the reduction since 1950 has been 15%. These decreases were effected despite increases in hourly wage rates.

Payroll is the largest single item of expense, requiring more than 50% of the operating revenue. For example of \$21, 994, 335 operating revenues in 1955, payroll absorbed 52.9%, as follows:

Total Operating Revenue, 1955		<u>\$21, 994, 335</u>	<u>100%</u>
Payroll			
Operators and Maintenance	\$8, 799, 801	40%	
Office and Management	<u>1, 955, 257</u>	<u>9%</u>	10, 755, 058 49.0%
Pensions		<u>862, 898</u>	<u>3.9</u>
		\$11, 617, 956	52.9%

The reduction in expense has been accompanied by a reduction in the number of employees. Since 1950 the reduction in the number of employees has amounted to 1426 or 37%. See table below.

THE BALTIMORE TRANSIT COMPANY
EMPLOYEES AT YEAR'S END

<u>Year</u>	<u>Management</u>	<u>Office</u>	<u>Div. 1300</u>	<u>Total</u>
1950	284	248	3, 281	3, 813
1951	256	244	3, 254	3, 754
1952	238	201	2, 908	3, 347
1953	258	142	2, 618	3, 018
1954	231	107	2, 283	2, 621
1/28/56	183	83	2, 121	2, 387

This result has been brought about through reduction of service, conversion of trolley lines to buses, improved maintenance procedures and office mechanization. Since 1951, payroll costs per 1000 vehicle miles operated and per 1000 passengers have been contained. Operators' total wages have remained at approximately 30% of operating revenues since 1949. It is apparent, however, that the Company is approaching a limit in its attempts to cut down the organization.

Maintenance (\$2,461,427)

Maintenance expense has been drastically reduced: to-wit:

1951	-	\$4, 215, 031
1952	-	3, 588, 999
1953	-	3, 176, 164
1954	-	2, 846, 234
1955	-	2, 461, 427

This result has been accomplished according to the management by providing improved physical facilities, equipment, working conditions

and training and by doing work in the shop previously farmed out. Concentrated attention has been given to increasing the miles per gallon of fuel, and the miles per quart of lubricating oil; similar improvement has taken place with respect to maintenance hours per 1,000 miles of operation, and average miles per mechanical failure of buses, streetcars and trackless trolleys. These indices are shown in the table given below.

THE BALTIMORE TRANSIT COMPANY
MAINTENANCE PERFORMANCE DATA

<u>Average Miles per</u> <u>Mechanical Failure</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Buses	1259.3	1850.3	2532.1	3594.3
Streetcars and Trackless Trolleys	7048.1	7783.3	7885.1	11323.3
<u>Miles per Gallon Fuel</u>				
Diesel Buses	4.0	4.0	4.1	4.1
Gasoline Buses	2.7	2.4	2.4	2.1
<u>Miles per Quart</u> <u>Lubricating Oil</u>				
Diesel Buses	94.8	153.6	254.9	232.2
Gasoline Buses	97.6	194.8	260.0	258.7
<u>Overhauls</u>				
<u>Buses</u>				
Engines removed and overhauled	82	109	116	92
Semi-overhauls	124	279	182	177
Transmissions	340	334	498	449
Blowers overhauled	183	335	200	199
<u>Streetcars & Trackless Trolleys</u>				
Electric Motors	533	535	134	101
Trucks	304	358	261	240
<u>Paint & Body Repairs</u>	263	270	216	232
<u>Maintenance</u>				
Hours per 1,000 miles operation	58.0	28.6	27.0	24.2

Expense Reduction Limits

Dale W. Barratt, President of Baltimore Transit Company, testified that in his opinion increased wage costs cannot presently be materially offset by greater economies. The Company is approaching its limit in effecting additional expense reduction. "We will have to cut service, because of less passengers; but let me put it this way, if we continue cutting service, we cannot continue cutting overhead expenses that are necessary to provide the service, even if we are only running ten buses on a route, instead of twenty, we still have to have a certain amount of overhead, fixed expenses; that there is a limit of how far we can go. We are, I would say, at the limit, if we are going to provide the service that we were providing, with one exception. On our conversions, where we can make conversions from fixed-wheel to free-wheel, and where we eliminate sub-stations, and work that is tied in with the overhead, there are still some economies there if we go ahead with the conversions. To get the free-wheel equipment to combat the traffic, it takes money; and at this time I couldn't say that we could go ahead, because of our financial position." (Emphasis supplied.)

Apart from reduction of service and laying off of employees, the area for further expense reduction is severely limited. Depreciation (\$2,102,158) is a fixed expense. Welfare, pensions and gratuities (\$1,131,559), in spite of fewer employees, are likely to rise over the

near term instead of declining. There are indications of this in the recent pension experience of the Company, for example.

Pension Plans Payments

<u>Year</u>	<u>Amount</u>	<u>Employees</u>
1952	\$ 631, 976	3547
1953	769, 347	3018
1954	815, 070	2621
1955	862, 898*	2387

*Figure as of 1/28/56 and believed incomplete.

Experience with unfunded pension plans is generally to the effect that their cost tends to get out of hand. Public liability and property damage coverage (\$1, 215, 861) does not appear to be a fruitful source of cost reduction. It has now been entrusted to an insurance company in which the National City system has a substantial interest through an intermediate holding company. It is not easy to see how this expense can be reduced in this way.

Operating Taxes

Operating taxes show no tendency to decline as the schedule on the following page indicates. The yearly total follows:

1950	\$ 1, 986, 920
1951	1, 948, 898
1952	1, 892, 997
1953	1, 940, 108
1954	1, 985, 191
1955	2, 004, 557

While the taxes assessed against the Baltimore Transit Company are relatively as great in terms of percentage of gross revenue as those

THE BALTIMORE TRANSIT COMPANY
TAXES - OTHER THAN INCOME

	1950	1951	1952	1953	1954	1955
CITY OF BALTIMORE						
Gross receipts tax \$	628,205.67	\$ 647,309.99	\$ 596,069.84	\$ 633,106.41	\$ 604,651.51	\$ 593,774.90
City utilities	54,617.68	51,631.50	46,176.12	47,247.81	57,371.14	48,972.38
Streetcar licenses, etc.	3,012.00	2,912.00	2,637.00	2,447.25	2,090.00	1,750.00
Real estate	252,338.13	219,530.10	232,084.85	225,820.73	219,254.20	244,043.64
Capital stock	185,860.30	141,872.52	130,143.15	109,755.53	144,417.01	142,505.33
Conduit rental	72,978.22	72,711.90	72,575.74	72,409.42	70,994.60	68,165.81
City fuel	-	-	-	-	2,679.13	2,117.64
Total Taxes -						
City of Baltimore	\$1,197,012.00	\$1,135,968.01	\$1,079,686.70	\$1,090,787.15	\$1,101,457.59	\$1,101,329.70
STATE AND COUNTY						
Licenses	\$ 16,708.93	\$ 15,126.61	\$ 13,899.57	\$ 13,440.77	\$ 15,302.81	\$ 13,528.64
Real estate	26,053.83	17,484.07	17,590.94	20,913.97	19,268.99	31,644.18
Capital stock	18,576.52	12,337.11	12,631.76	11,168.59	10,624.44	7,660.90
Seat (bus)	102,160.78	105,991.93	108,118.96	106,301.16	105,067.70	107,583.74
Seat mile (bus)	126.55	32.97	-	-	-	-
Gasoline	141,815.10	135,365.22	115,940.10	106,843.69	91,919.58	77,004.48
Fuel oil (diesel)	138,768.85	140,843.95	136,019.55	173,045.55	208,727.64	218,284.56
Unemployment	23,013.47	26,338.86	44,368.28	56,951.96	51,368.54	72,801.45
State sales and use	49,520.09	53,742.61	34,728.74	40,422.46	34,107.77	32,184.58
County utilities	3,537.89	3,494.58	3,203.10	2,856.77	4,477.58	7,183.48
Total Taxes -						
State and County	\$ 520,282.01	\$ 510,757.91	\$ 486,501.00	\$ 531,944.92	\$ 540,865.05	\$ 567,876.01
FEDERAL						
Engine oil	\$ 5,819.49	\$ 5,506.45	\$ 5,061.58	\$ 4,135.16	\$ 3,414.98	\$ 3,508.43
Gasoline	42,678.83	43,087.30	46,575.86	39,088.86	30,719.98	25,748.26
Tires and tubes	14,007.00	22,390.24	9,881.65	18,871.93	13,802.93	13,100.43
Unemployment	34,520.19	33,061.96	31,755.91	28,475.95	25,438.37	22,161.23
Old age benefits	172,601.16	189,146.11	179,308.97	165,040.27	200,096.47	198,328.39
Fuel oil (diesel)	-	8,979.88	54,225.60	61,764.20	69,396.20	72,504.88
Total Taxes -						
Federal	\$ 269,626.67	\$ 302,171.94	\$ 326,809.57	\$ 317,376.37	\$ 342,868.93	\$ 335,351.62
Total of all Taxes	\$1,986,920.68	\$1,948,897.86	\$1,892,997.27	\$1,940,108.44	\$1,985,191.57	\$2,004,557.33

experienced by other Baltimore utilities, the telephone, electric and gas companies, they appear to be higher than those borne by the transit industry as a whole, and those of privately owned transit companies in comparable cities. Of 11 large cities with privately owned transit companies, the operating taxes of the Baltimore Transit Company rate second highest in terms of a percentage of operating revenue.

Income Taxes

Income taxes naturally fluctuate with net income. Baltimore Transit experience (1950-1955) follows:

	<u>INCOME TAXES</u>					
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
City of Baltimore	--	\$51,073.14	--	\$143,628.99	\$107,722.73	\$142,852.38
State and County	--	9,526.49	--	41,339.06	23,355.56	33,930.72
Federal	--	--	--	238,162.16	242,094.97	475,075.63
	--	<u>\$60,599.63</u>	--	<u>\$423,130.21</u>	<u>\$373,173.26</u>	<u>\$651,858.74</u>

HOW VARIOUS GROUPS HAVE FARED

Various groups have an interest in the service and operations of the Baltimore Transit Company. These include the riding public, the management, employees, debenture holders, preferred and common stockholders, and the controlling stockholder with a special interest, the National City Lines. How have these groups fared?

Public

Company Exhibit No. 85 - Analysis of the Fare Structure shows that adult fares have increased from 10¢ to 18¢ and children's and

student's fare from 5¢ to 10¢. At the same time, the service has been curtailed because of the lower number of passengers using it. In 1945, the total miles operated were 38,622,059; in 1950, 36,425,527 miles; in 1955, 27,184,557. The total of vehicles on week-day schedules has also declined, so that the rider is getting less service.

Management

Compared with similar enterprises, the present management is not drawing excessive salaries. Annually the Chairman receives \$12,500, the President \$25,000, the Superintendent of Transportation \$14,400, the Superintendent of Equipment \$12,000, the Vice-President, Secretary & Treasurer \$21,500, and the Controller \$14,500.

Labor

The hourly wage of the operators over a period of years has doubled, from 95¢ to \$1.90, but the number of workers on the payroll has declined; for example:

	<u>Employees</u>			
	<u>Management</u>	<u>Office</u>	<u>Div. 1300</u>	<u>Total</u>
12/31/50	284	248	3,281	3,813
1/28/56	183	83	2,121	2,387

Security Holders

Security holders include owners of debentures, preferred and common stock.

The Company's Controller addressed himself to the situation of the debenture holders. It appears that at the time of the reorganization of

the old United Railways and Electric Company as of July 1, 1935, there were outstanding approximately \$46,000,000 of first mortgage bonds, on which interest was defaulted in 1932. In the reorganization, holders of these bonds took in exchange 50% in income debentures and 50% in 5% preferred stock. Although interest was only partially paid on these new income debentures in the early years after reorganization, the deficit in interest was made good, and the full interest has been paid since. About 65% of these debentures have been redeemed on tender or by purchases in the open market. From information appearing in Moody's, the 12 year high and low market prices of the debentures follows:

	<u>Debentures</u>	
	<u>4's A - 1975</u>	<u>5's A - 1975</u>
1944	70-51	80-59 1/2
1945	94-70 1/2	96 1/2-76
1946	95 1/2-87	101-94
1947	90 1/2-74 1/4	98-78
1948	68-44	77-47 1/2
1949	54 1/2-37	61 1/2-43
1950	59 1/2-32 3/4	63-34 1/2
1951	59 1/2-41 1/2	65-48
1952	65-48	71-53 1/2
1953	76-58	85-67 1/2
1954	84-71	94-81
1956	81-79*	88-84*

*Asked-Bid Prices on February 17, 1956 from Baltimore
Sun of February 18, 1956.

The original holders, if retaining ownership, can now realize about 80%-85% on this part of their investment. Interim purchasers of such debentures have either made or lost money, depending on the timing of the transactions.

With respect to the preferred stock, the dividend on which was partly cumulative, and which security represented half of what was given bondholders in 1935, the arrears of dividends amounted to \$77.50 a share. Early in 1953, a recapitalization was effected, and preferred holders received one share of new 5% preferred, \$50 par value instead of \$100, plus three shares of common. The market fluctuations of these securities since 1953 follows:

	<u>\$2.50 Preferred</u>	<u>Common</u>
1953	\$31-\$19 3/4	6-3
1954	42-27 3/4	12 1/2-4 1/2
1955	38-36 1/2*	14 5/8-14 1/2*

*Asked Bid-Prices on February 17, 1956 from Baltimore
Sun of February 18, 1956.

It thus appears that a former holder of the old preferred in February 1956 had securities with a market value of about \$80 as against a market range of \$10 to \$27 for the old preferred in 1952.

Since 1953, 120,845 shares of preferred shares have been retired. Interim holders have either made or lost money depending on the timing of the transactions. An original dividend at the rate of \$2.50 a year was paid in 1953 and has been continued to date.

The common stockholder received nothing in the way of a dividend until 1954, and the stock is now on a \$1.60 a year dividend basis. Its market fluctuation over a span of years follows:

	New Common <u>High - Low</u>	Old Common <u>High - Low</u>
1944		\$3.75-\$1.10
1945		7.00-3.00
1946		13.75-5.00
1947		9.50-2.75
1948		5.00-2.50
1949		3.25-1.38
1950		4.25-1.12
1951		4.38-2.00
1952		4.13-2.00
1953	6-3	
1954	12.25-4.50	
1955	14.62-14.50*	

*Asked-Bid Prices on February 17, 1956 from
Baltimore Sun of February 18, 1956.

National City Lines, Inc.

The National City Lines, Inc., as of December 31, 1954, had an investment at cost in Baltimore Transit Company of \$574,436 as compared with an investment of approximately \$2,400,000 at January 1, 1945, thus, having effected a reduction in its investment at cost by approximately \$1,800,000 over a period of ten years. The present investment is represented by 4,480 shares of preferred stock and 243,094 shares of common stock with a present aggregate market value of approximately \$3,800,000. Additionally, information supplied by the Union in Exhibit 57 purports to show profits by National City Lines, exclusive of interest and dividends received, of \$650,000 on the sale of previously held debenture bonds to the Baltimore Transit Company and of \$1,085,000 from the sale of previously held preferred stock in the Baltimore Transit

Company. Thus, National City Lines, as of December 31, 1954, had a gross capital gain from its holdings in the Baltimore Transit Company of approximately \$1,160,000 in addition to interest on bonds and dividends received, and still holds securities based on present market prices of approximately \$3,800,000. It appears that the transit knowledge and experience of National City Lines has been well rewarded.

CONCLUSIONS

A strike is always an event of sudden and dramatic intensity. And a strike on a public transit system in a large city, causing widespread inconvenience and economic loss, necessarily arouses among the people of the community feelings of frustration, bitterness and anger. The disruption of their normal life creates an atmosphere of doubt and insecurity. There springs up a spontaneous demand for speedy action to re-establish the routines which are familiar and reliable. Those whose duty it is to provide the community with leadership, particularly the legislature and other public officials, are assailed with urgent insistence that they "do something" immediately to provide relief from the intolerable situation. In such an atmosphere of crisis, when feeling is running high, people in positions of responsibility who are seeking to satisfy the demand for action always run two risks. They may, in desperation, adopt remedies which will prove, when order has again been re-established, to have been, at best, unnecessarily severe, and, at worst, the source of future troubles even more serious than the condition which they sought to cure. Or any action which they take during such a period of crisis may, by being directed exclusively to the symptoms which are so immediately pressing, overlook the possibility of a fundamental solution for the underlying conditions which have given rise to the critical outbreak. Thus, a long-range treatment is ignored and other similar crises are almost certain to arise within a relatively brief period.

The present situation provides a unique opportunity for giving consideration to the broader implications of the immediate problem. The Legislature, through the investigative procedures of the Grand Inquest, has been able to develop some degree of insight into the difficulties which are inherent in the whole issue of public transit in Baltimore. This initial insight might be made the instrument for a thorough study of that issue, and for its resolution in terms of much more significance than any temporary measures which might serve merely to palliate the immediate situation.

So far as the specific issues in the dispute are concerned, we do not consider it advisable to undertake to determine them on their merits. This Grand Inquest proceedings was not designed to be a substitute for the collective bargaining process. Moreover, it would be highly undesirable for us to do so; under existing law, such findings would not have any binding effect and could operate only to interfere with the processes of collective bargaining.

We conceive the contribution of the Grand Inquest to be along different lines. At a time when the efforts of the parties in their negotiations were on dead center, the Grand Inquest afforded the parties and the public a full opportunity to present their views on each of the issues and facets of the problem and to offer the supporting reasons and logic upon which their positions are based. This has been done in an open and public manner. It is expected that the pitiless glare of the spotlight

of full publicity will discourage extremism on both sides and will encourage the parties to seek a sound and reasonable middle ground.

It is hoped that the Grand Inquest has facilitated fruitful negotiations between the parties. In these extensive proceedings there has been introduced and examined much data and information which should be helpful to the parties in finding that area of reasonableness where they can voluntarily meet. One of the stumbling blocks to the successful outcome of the collective bargaining process has been the element of rigidity introduced into the negotiations by the declaration and insistence of the parties on doctrinaire positions. It is clear from the record in these proceedings that the principle of "management prerogatives" set up by the Company and the principle of irrelevance of ability to pay set up by the Union are hurdles unnecessarily blocking the path toward a settlement. The record in these proceedings has demonstrated that such doctrines are not in fact considered by their proponents with the inflexibility which initially was indicated.

This labor dispute is ripe for settlement by direct negotiations between the parties. The only ingredients required for a quick settlement of this strike are full, frank and fair negotiations undertaken and carried out in good faith. The clear obligation of both parties to the public requires this much and requires it now.

Only a relatively few days should be required for the parties to effectuate a settlement. If a solution is not found by the parties within such time limits, then serious consideration shall have to be given

to the calling of a special session of the Legislature for enactment of remedial legislation.

It is possible to conclude on the basis of the findings which we have made that the present strike might have been avoided. The failure of the parties to apply to their problems those techniques of serious collective bargaining which have proved to be effective in so many other situations may have contributed to their failure in this instance. The doctrinaire attitudes of Company and Union were almost certainly obstructions in the path to reaching the agreement which might have been achieved if the parties had taken practical and realistic positions. The heaviest obligations now rest upon the parties to carry on their negotiations with a seriousness of purpose that can lead them promptly to compose their differences and to terminate the strike. The lessons which can be learned from their failure in the present case may be found useful in averting similar failures in the future.

One aspect of the present crisis which is worthy of special comment is the complete absence of effective public participation in the day-to-day problems of the transit industry. No officials of the State of Maryland or the City of Baltimore are charged with any duty of a continuing nature looking toward the settlement of disputes like this one. There is not even a public official whose duty it is to collect information and to keep current with the developments which may lead to later difficulties. The Public Service Commission cannot act until the strike is settled and there is an application for increased fares.

The Mayor of Baltimore enters the picture at the last minute when the strike is at hand. In a situation in which the public welfare is so profoundly involved, there is no public representative familiar with labor problems and particularly with the problems of transit labor, whose obligation it is even to watch out for the emergence of trouble, let alone to make an effort to avert it.

The solution of public ownership has been rejected by the Company, the Union and many public officials. But the present situation perhaps presents a picture in which the responsibility for decisions which are public in their character and consequences are left too exclusively in the hands of private parties, where there is too little participation on the part of responsible public officials in the processes of decision-making and in the development of conditions which lead to such crises as the present strike. The Legislature would do well to explore the possibility of increased public participation in these important matters which are now left almost wholly to private sources.

It may be that the duties of the Public Service Commission have been conceived too narrowly. If that Commission, instead of being looked upon as a quasi-judicial body, acting ordinarily only with relation to applications for rate increases, were to be developed as an administrative organization exercising a constant day-to-day supervision over all aspects of the transit problem and participating actively in such important aspects of that problem as, for example, labor

negotiations, the Commission's usefulness might be greatly enhanced and the public welfare usefully advanced. Such a plan would, of course, entail an increase in the staff and services available to the Commission, but this might prove to be a small cost to pay for effective participation in the permanent resolution of our transit problems. If the broadening of the Commission's activities appears too ambitious a proposal, the creation of a Transit Commission or of the office of Transit Commissioner might be a useful solution to some of the transit problems, if such a Commission or Commissioner were charged with the duty of day-to-day participation in the decision-making processes. The public would at least be aware of developments affecting the public interest and measures for meeting crises might be devised before such crises arose, rather than after the crisis is at hand. The particular method chosen to meet the need for public participation in a situation which is so intimately engaged with the public welfare is not at the moment the matter of greatest importance. It is important, however, that the Legislature grasp this opportunity to give consideration to the possibility of basic solution along these lines.

But the settlement of the present strike and even the possibility of averting the next are insufficient assurances for the future. More profound analysis reveals a more fundamental problem, the problem of a declining industry in a generally expanding economy. The employees of the Baltimore Transit Company have justifiable

aspirations to secure their share in the constant improvements of the standard of living of American workers. How is the Company to satisfy these aspirations?

Private ownership is relied upon to provide a transit service for the citizens of Baltimore, but the incentive of private ownership which is designed to induce it to provide such service is the opportunity to realize a profit. In the present situation, the possibility of profit in transit operations grows less and less likely. Unlike most sectors of the economy, the transit industry has declined and is continuing to decline in importance. Faced with decreasing revenues, and mounting difficulties of operation, the Company has sought operating profits through reduced operating expenses and increased fares. This has been accomplished by tailoring vehicle miles of operation to fit patron demand, cutting the number of men on the payroll, and by instituting greater efficiency in the maintenance program. To counteract the decline in passengers and to meet rising costs, the Company, since World War II, has received a succession of fare increases which have served to keep revenues from declining at the same rate as the number of passengers.

Despite the rapid growth of population in the Baltimore area, mass transit passengers have declined from 267,112,617 in 1944 and 194,851,366 in 1950, to 132,200,409 in 1955, or 50% since 1944 and 33% since 1950. The causes underlying this paradox are well summarized

in the excerpt set forth below from the recent opinion of the Court of Appeals of Maryland upon review of the last Baltimore Transit fare increase. Baltimore Transit Co. v. Public Service Commission, 206 Md. 567, 112 A. 2d 687, 689-690.

" . . . The inadequacies of urban mass transportation in Baltimore as well as elsewhere, are not new. There has been a continuous decline in the number of riders. From 1945 to 1952, the decrease was approximately 41% throughout the country. In Baltimore, it was 39%. There are said to be five chief causes of this decline which has been accompanied by a decrease in service and popularity. The operators of the transit systems say that the decrease in riders induces the decline in service. The public says that the decrease in service and efficiency induces the decline in riding and public goodwill. The first of the five factors is the tremendous increase in the number and use of automobiles. In the period referred to, automobiles in Baltimore and other cities increased about fifty per cent. Nationally and locally, the number of passengers who ride on the lines of urban transit companies has decreased in the ratio that passenger car registrations have increased. The automobiles, which take away the riders from the transit systems, block the streets and, to a considerable extent, cause the conditions which lead to slow and faulty service. The second factor is the widespread acceptance of the five day week in industry and commerce. The third is the growth of suburban areas. Decentralization of trade and suburban living has increased the use of automobiles and lessened the use of public transportation, as has the development of television. Finally, decreasing patronage and increasing costs have required numerous increases in fares and each increase adds to the otherwise caused steady decline in riders, a further decline, the size of which is in direct proportion to the change in the rate of fare. "

While passengers have declined by 50% since 1944, operating revenues have dropped only 11%, from \$24,635,141 to \$21,994,335. This has been accomplished by raising fares from the 1944 level of 10¢ to the present rate of 18¢.

Along with decreased patronage has gone a shrinkage in the total vehicle miles of operation. Vehicle miles have dropped by 32% since 1944, compared with the 50% decline in passengers. It is significant that the number of passengers has decreased at a slightly faster rate than miles operated, and that, insofar as these data can demonstrate, the Company has not cut service in anticipation of passenger decreases.

The number of Company employees also has been cut. In 1950, the Company had 3,813 men on its payroll; as of January 28, 1955, the number of employees had dropped to 2,387, a decrease of 38%. Payroll costs, however, have not changed in such fashion. In 1950, payroll cost per 1,000 miles of operation was \$368. By 1955, the figure changed to \$396 per 1,000 miles.

The Company apparently has exerted yeoman efforts to preserve its solvency in the face of its continuing economic decline. Can the Company continue indefinitely adjusting its fares and expenses to meet its constantly shrinking market? The Company has claimed that each fare increase causes a decline in passengers over and above that expected as normal shrinkage. It is further asserted that the point may soon be reached where further fare increases may not produce additional revenues -- that is, that resistance to the new fare may negate its advantages. It appears that many of the maintenance economies are "one-shot," in that they represent the correction of

prior management inefficiencies. The Company claims that further cuts in the number of employees may not run apace with declining revenues in that in some instances, an irreducible number of employees is being neared.

Whether or not "ability to pay" is irrelevant to the current, or any, wage dispute; whether or not the Company has the "ability to pay" any or all of the Union's demands, it is clear that the Company's ability to earn has been squeezed in the past, and that its future seems to hold no prospect but continued narrowing of its profit margin. It would appear that sometime -- now or in the future -- the Company will reach a point where its continued existence will be extremely tenuous.

We are faced with a unique problem: how to meet demands for just wages within the framework of a declining industry? Labor's demands for equable treatment cannot be turned aside lightly. But neither can the Company's plea that it cannot meet these demands. Without regard to the fairness or unfairness of the Union's proposed contract, and without passing on the legitimacy of the Company's claim of inability to pay, it is fair to assume that, if not now, then at some future date, an impasse will occur between just wages and inadequate profits. Since Baltimore must have a public transit system, Baltimore must study and solve these basic economic problems. They cannot safely be ignored after the present strike is settled.

The basic problem presented by these facts is what kind of transit service is required by the Baltimore metropolitan area. It is apparent from the large and continuing declines in patronage that the present system of transit does not meet the public needs. This problem is not unique to Baltimore, but is one of the most pressing problems facing the large metropolitan centers of this country.

Essentially, the problem is one in city planning, and the subject of the problem is the movement of people within the urban community. Unless this problem is satisfactorily resolved, the consequences of inadequate intra-urban transportation will have grave effects on the organization and functioning of the community. The problem is not only of concern to the diminishing base of transit riders, but is of equal concern to the public at large. As transit riding levels decline, the diversion to automobile transportation increases, with the consequent intensification of traffic problems, which further operate to discourage transit riding, thus establishing a continuous degenerating spiral.

It is recognized that the transit vehicle makes the most efficient use of the streets in moving people. The increased use of the private automobile for commutation purposes has taxed the existing roads, streets and vehicular facilities and is exerting pressure for the construction of additional and enlarged facilities to accommodate the sea of private automobiles at the two peak periods of the day. Even if

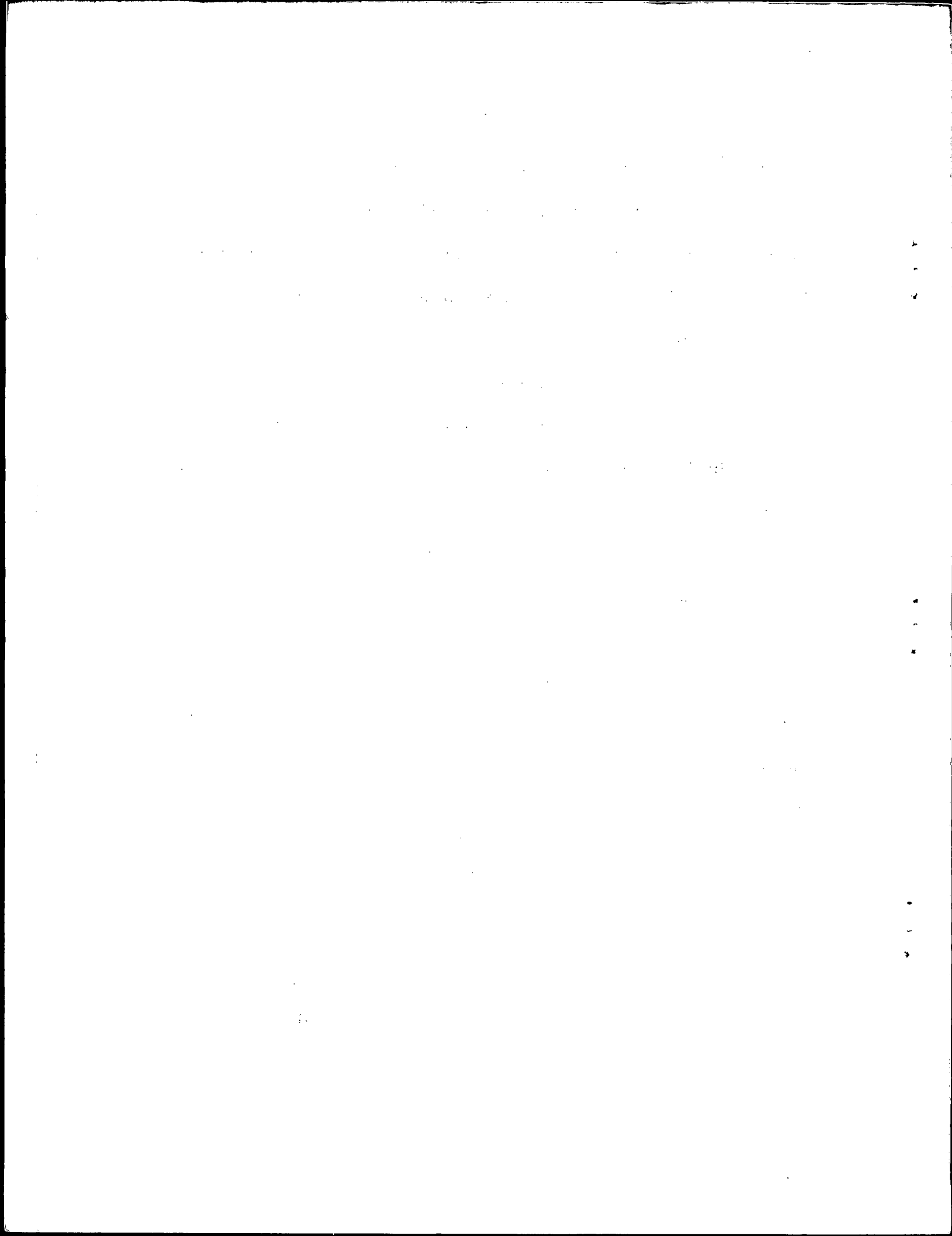
it were practicable to accommodate in the downtown area of the city all the cars which people may want to bring into the area, and this is a question of considerable doubt, the cost of the facilities to accommodate such a flow of heavy traffic, would be staggering. Thus, it is apparent that the broad interest of the public -- all segments of the public -- is in a plan of transportation which utilizes all forms of transportation for the service they are best qualified to perform with a view to the most efficient use of the public vehicular facilities.

Such an objective requires study and planning; it is clear that it will not occur fortuitously. If the urban area is to realize its full potential, it must be served with a balanced system of transportation, making the most efficient use of both the private automobile and mass transit vehicles for the movement of people. Consideration should, therefore, be given to the institution of studies for the development of a long-range mass transportation plan. The report by the Mayor's Committee on Mass Transportation already has pointed the way for such studies.

Pending the completion of such studies, which may require a couple of years, immediate consideration should be given to the development of a system of traffic control and highway and street use which will speed up transit travel time. Although the competitive clash between the private automobile and mass transit occurs on many elements, travel time is certainly one of the most competitive elements.

If transit travel time can be materially decreased, better transit service will result and it can be expected that this may have a favorable effect on transit riding levels. In any event, decreasing transit travel time will bring about substantial decreases in transit operating expenses, which in a business of declining patronage is of great importance. The recommendations made by the Mayor's Committee on Mass Transportation with respect to transit lanes and transit streets should be implemented by effective regulations at the earliest moment.

The settlement of the current strike, which is, of course, the matter of first importance, will not solve the transit problem in Baltimore. The record in these proceedings clearly indicates a chronic condition which may become acute with the passage of time. We are not in position to say when or whether there will be a stabilization of passengers and expenses which will bring about a measure of stability in the affairs of Baltimore Transit Company. We may fairly conclude, however, that unless such stability is achieved in the relatively near future, that Baltimore City may expect recurring crises of various kinds in its transit picture. It is, therefore, to be hoped that upon the settlement of this strike, we shall not witness a relaxation of the community's interest in the transit problem, but that the settlement of the strike shall be viewed as time gained in which to effectuate a long-range solution.



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